
**Business Tax on Short-term Rental of Vacation Lodging
Including Cabins, Cottages and Chalets**

**Sales &
Use tax
notice**

The law applying to the short-term rental of vacation lodgings (including but not limited to cabins, cottages, and chalets) has changed. Pursuant to Public Chapter 224, effective May 15, 2001, individual property owners are no longer required to register and remit business tax on the overnight rental of vacation lodgings if they utilize a property management company to manage the property. The law change provides that the management companies are responsible for the business tax levied on the total gross proceeds from these types of rentals. This notice replaces the notice issued August 1999.

The Tennessee Code Annotated has been amended to include the following:

“Business” does not include an individual property owner who utilizes a property management company to manage a vacation lodging for overnight rentals; provided, however, that “business” shall include any other activity of such individual property owner that is subject to any tax levied by this part.

A property management company shall owe business tax based on its gross proceeds from overnight rentals and

gross proceeds from any other source subject to the business tax levied by this part.

Tenn. Code Ann. Sections 67-4-702(a)(1) and 67-4-730. Tenn. Code Ann. Section 67-4-702(a) has also been amended to include the definition of several terms including “individual property owner,” “overnight rentals,” “property management company,” and “vacation lodging.” The complete text of Public Chapter 224 is on the next page of this notice.

Property management companies must collect sales tax from the consumer as provided in Tenn. Code Ann. Sections 67-6-501 and 67-6-502.

Individual property owners who do not utilize a property management company to manage their properties are responsible for registering and remitting the business tax and sales tax.

Have questions or comments? Please let us know. [Contact us.](#)

Publication Date: July 2001

PUBLIC ACTS, 2001
CHAPTER NO. 224
HOUSE BILL NO. 384
By Representatives Montgomery, Walker
Substituted for: Senate Bill No. 328
By Senator Clabough

AN ACT to amend Tennessee Code Annotated, Title 67, Chapter 4, Part 7 and Title 67, Chapter 6, relative to vacation lodgings.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Section 67-4-702(a) (1), is amended by adding the following language at the end of the subdivision:

“Business” does not include an individual property owner who utilizes a property management company to manage a vacation lodging for overnight rentals; provided, however, that “business” shall include any other activity of such individual property owner that is subject to any tax levied by this part.

SECTION 2. Tennessee Code Annotated, Section 67-4-702(a), is amended by adding the following new subdivisions:

() “Individual property owner” means a person that owns a vacation lodging.

() “Overnight rentals” means rental of a vacation lodging to one or more individuals for temporary human lodging not to exceed a period of one hundred eighty (180) consecutive days; provided, however, that a tenancy or lease to an individual who has no other place of residence or abode during the lease period to which he may return after the lease terminates is not “overnight rentals”.

() “Property management company” means a person that, for consideration, manages a vacation lodging for an individual property owner that provides such lodging for a rental fee to consumers.

() “Vacation lodging” means real property, other than the primary and regular residence or abode of an individual property owner, that is utilized, or can be utilized, for overnight rentals in the absence of the individual property owner.

SECTION 3. Tennessee Code Annotated, Title 67, Chapter 4, Part 7, is amended by adding the following language as a new section:

Section 67-4-730. A property management company shall owe business tax based on its gross proceeds from overnight rentals and gross proceeds from any other source subject to the business tax levied by this part.

SECTION 4. Tennessee Code Annotated, Section 67-6-501, is amended by adding the following new subsection:

(d) When individual property owner utilizes a property management company to manage a vacation lodging owned by the individual property owner, the tax levied by this chapter on the gross charge for such rental shall be imposed on, and shall be remitted by, the property management company to the commissioner. This provision shall not be construed to prohibit the property management company from collecting the tax from the consumer as provided for in §67-6-502. For the purposes for this subsection, the terms “individual property owner,” “property management company,” and “vacation lodging” shall have the same meanings as in §67-4-702.

SECTION 5. This act shall take effect upon becoming a law, the public welfare requiring it.

PASSED: May 10, 2001

APPROVED this 15th day of May 2001